

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Annual Local and Flexible Procurement Obligations for the 2016 and 2017 Compliance Years.

FILED
PUBLIC UTILITIES COMMISSION
OCTOBER 16, 2014
SAN FRANCISCO OFFICE
RULEMAKING 14-10-010

ORDER INSTITUTING RULEMAKING**Summary**

We open this rulemaking to oversee the resource adequacy program, make necessary and appropriate refinements to the program, and establish local and flexible procurement obligations applicable to load-serving entities beginning with the 2016 compliance year. This proceeding is the successor to Rulemaking 11-10-023, which addressed these topics over the past two years.

We provide for the filing of comments on preliminary matters pertaining to the scope, schedule, and administration of the proceeding. Comments are due November 5, 2014, and reply comments are due November 14, 2014.

1. Purpose of Proceeding

The Commission first undertook the resource adequacy (RA) program in Rulemaking (R.) 05-12-013, where we implemented “system” RA requirements for the 2006 compliance year and “local” RA procurement obligations for the 2007 compliance year. In that proceeding, we recognized the near and intermediate term need for annual proceedings to approve local capacity

requirements and to consider modifications and improvements to the RA program:

“While the nature of the future RA program and the associated procedural requirements cannot be fixed at this time, it is clear that there is an ongoing need for a procedural vehicle to address both modifications and improvements to the RA program as well as routine administrative (but not ministerial) matters that are not delegable to staff. Among other things, the Local RA program component requires annual approval of [local capacity requirements (LCRs)] based on the [California Independent System Operator’s (CAISO’s)] LCR studies. For the near and intermediate term, we see a need for annual proceedings for these purposes.”
(Decision (D.) 07-06-029 at 52.)

D.13-06-024 adopted an interim flexible capacity requirement as an additional component of RA requirements. D.14-06-050 adopted an interim flexible capacity framework for the 2015 through 2017 RA years.

R.11-10-023 served as the forum for RA decisions for the 2013, 2014 and 2015 RA compliance years. We open this rulemaking to address the 2016 and 2017 RA compliance years, as well as further refinements to the RA program.

2. Category

The category of the proceeding is preliminarily determined to be ratesetting. Accordingly, ex parte communications are restricted and must be reported pursuant to Rule 8.3(c) until and unless the assigned Commissioner’s scoping memo changes the category of the proceeding and/or the determination of need for evidentiary hearing. (See Rules 7.3, 8.3(d) and 8.5.)

3. Need for Hearing

As in R.11-10-023, we expect that the issues may be resolved through comments and workshops without the need for evidentiary hearings. Therefore,

it is preliminarily determined that evidentiary hearings will not be needed in this proceeding.

4. Preliminary Scoping Memo

The preliminary scope of issues and schedule of the proceeding are set forth below, and may be changed by the assigned Commissioner's scoping memo. (See Rule 7.3.)

5. Issues

5.1. Local and Flexible Procurement Obligations:

- a. What are the Local Capacity Requirements for the respective load-serving entities (LSEs) for the 2016/2017 RA compliance years? The starting point for this determination shall be the CAISO's study of local area needs. This issue encompasses consideration of how the study's process, parameters, methods, and assumptions might be improved, including e.g., whether local areas should be aggregated, the extent to which LSE procurement obligations should be adjusted or waived for local areas with CAISO-identified resource deficiencies, and the reliability criteria targeted through procurement obligations.
- b. What are the Flexible Capacity Requirements for the respective LSEs for the 2016/2017 RA compliance years?

5.2. Refinement of RA Program Elements:

RA program refinement topics for 2016/2017 are preliminarily identified as follows:

- a. Is there a continuing need to establish local and flexible procurement obligations on an annual or biennial basis? This includes consideration of determinations as may be made in R.14-02-001, the Joint Reliability Plan proceeding.

- b. Should refinements be made to the flexible capacity framework, including adopting a cap for the error term and considering a flexible capacity allocation methodology that reflects causation?
- c. Do the current flexible categories meet the objective of managing use-limited resources and allow participation of preferred resources? This includes consideration of the appropriateness of characteristics for each category.
- d. Should flexible resources be exempt from satisfying system RA requirements (i.e., should flexible and system RA resources be unbundled)?
- e. Other issues include the following:
 - 1. Refinements to the Maximum Cumulative Capacity buckets;
 - 2. Refinements to the counting conventions for Qualifying Capacity (QC) and Effective Flexible Capacity (e.g., storage, variable energy resources, Distributed Generation, and Demand Response);
 - 3. Preparation and review of new studies of the Effective Load Carrying Capacity of wind and solar resources in California;
 - 4. Revisions to the QC manual;
 - 5. Reform of the RA procurement framework, including consideration of how to simplify the compliance process; and
 - 6. Any other issues that may be raised by Energy Division in its staff proposals.

5.3. Coordination with Results of R.14-02-001, the Joint Reliability Plan Proceeding:

Are there other refinements necessary to the RA Program for purposes of coordinating with the results of the Joint Reliability Plan proceedings?

6. Schedule

Since the local component of the RA program was first implemented, the Commission has determined that the annual compliance cycle should begin with issuance of a decision each June that establishes procurement obligations for the following calendar year. Although the Commission may consider changes to the RA compliance calendar in this proceeding, prudence dictates that we plan at least initially to continue with the existing calendar. Accordingly, the preliminary schedule for the proceeding is as follows:

Nov. 5, 2014	Comment filed and preliminary scoping memo
Nov. 14, 2014	Reply comments on preliminary scoping memo
Dec. 2014*	Initial workshops conducted by Energy Division (Workshops to continue as needed throughout LCR study and reporting process)
Dec. 5, 2014	Intervenor compensation notice of intent
Jan. 2015	Prehearing conference
Jan. 2015	Scoping memo
Jan. 2015**	LCR base cases submitted to CAISO by participating transmission owners
Jan. 2015**	CAISO publishes LCR base cases
Jan. 2015**	Stakeholders submit comments on LCR base cases to CAISO
February 2015	Energy Division report issued by ALJ ruling
March 2015**	CAISO publishes preliminary LCR study results
March 16, 2015	Comments filed on Energy Division report
March 30, 2015	Reply comments on Energy Division report
April 2015**	CAISO publishes draft 2016 LCR and FCR report
May 2015**	CAISO publishes final 2016 LCR and FCR Report

May 2015	Comments on final 2016 LCR and FCR Report filed with Commission
May 2015	Reply comments on final 2016 LCR and FCR Report filed with Commission
May 2015	Proposed decision issued by Administrative Law Judge
June 2015	Comments on proposed decision filed with Commission
June 2015	Decision issued by Commission
Late 2015	Start of process for 2017 RA determinations

*Workshops will be set by formal notice filed in the proceeding.

**Dates for those components of the LCR and FCR studies and review process that are administered by the CAISO will be determined by the CAISO in consultation with the Commission's Energy Division.

7. Comments on Preliminary Determinations and Scoping Memo

Comments may be filed on November 5, 2014, and reply comments may be filed on November 14, 2014, to address any objections to or recommendations regarding this order's preliminary determinations as to category of the proceeding, the need for evidentiary hearing, issues to be considered, or scheduling. (See Rule 6.2.)

8. Service of Order Instituting Rulemaking (OIR)

This OIR shall be served on the Official Service List for the predecessor rulemaking R.11-10-023. *Service of the OIR does not confer party status or place a person who has received such service on the Official Service List for this proceeding.*

9. Addition to Official Service List

Addition to the official service list is governed by Rule 1.9(f) of the Commission's Rules of Practice and Procedure.

Any person will be added to the "Information Only" category of the official service list upon request, for electronic service of all documents in the

proceeding, and should do so promptly in order to ensure timely service of comments and other documents and correspondence in the proceeding.

(See Rule 1.9(f).) The request must be sent to the Process Office by e-mail (process_office@cpuc.ca.gov) or letter (Process Office, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, California 94102). Please include the Docket Number of this rulemaking in the request.

Persons who file responsive comments thereby become parties to the proceeding (see Rule 1.4(a)(2)) and will be added to the “Parties” category of the official service list upon such filing. *In order to assure service of comments and other documents and correspondence in advance of obtaining party status, persons should promptly request addition to the “Information Only” category as described above; they will be removed from that category upon obtaining party status.*

10. Subscription Service

Persons may monitor the proceeding by subscribing to receive electronic copies of documents in this proceeding that are published on the Commission’s website. There is no need to be on the official service list in order to use the subscription service. Instructions for enrolling in the subscription service are available on the Commission’s website at <http://subscribecpuc.cpuc.ca.gov/>.

11. Public Advisor

Any person or entity interested in participating in this rulemaking who is unfamiliar with the Commission’s procedures should contact the Commission’s Public Advisor in San Francisco at (415) 703-2074 or (866) 849-8390 or e-mail public.advisor@cpuc.ca.gov. The TTY number is (866) 836-7825.

12. Intervenor Compensation

Any party that expects to claim intervenor compensation for its participation in this rulemaking shall file its notice of intent to claim intervenor compensation no later than December 5, 2014. (See Rule 17.1(a)(2).)

O R D E R

IT IS ORDERED that:

1. In accordance with Rule 6.1 of the Rules of Practice and Procedure, the Commission institutes this rulemaking on its own motion to continue its efforts to ensure the availability of reliable and cost-effective electricity supply in California through implementation and administration of, and refinements to, its resource adequacy program. As indicated in Rule 6.1, this proceeding may result in the adoption, repeal, or amendment of rules, regulations, and guidelines that constitute the resource adequacy program, and may modify prior Commission decisions pertaining to the resource adequacy program that were adopted by rulemaking.
2. Comments on the preliminary determinations of category, need for hearing, scope of issues and schedule may be filed and are due by November 5, 2014, and replies to such comments may be filed and are due by November 14, 2014.
3. Notices of intent to claim intervenor compensation for participation in this rulemaking shall be filed no later than December 5, 2014.

4. The Executive Director shall cause this Order Instituting Rulemaking to be served on the service list for Rulemaking 11-10-023.

This order is effective today.

Dated October 16, 2014, at San Francisco, California.

MICHAEL R. PEEVEY
President
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
CARLA J. PETERMAN
MICHAEL PICKER
Commissioners